



# National Child Care Information Center

*A Service of the Child Care Bureau*

NCCIC

## **Impact of Increased Licensing Regulations on the Quality, Cost, and Supply of Child Care**

Licensing is a process administered by State governments that sets a baseline of requirements below which it is illegal for facilities to operate, unless the facility is legally exempt from licensing. States have regulations that include the requirements facilities must comply with and policies to support the enforcement of those regulations. The National Resource Center for Health and Safety in Child Care and Early Education's Web site has State child care regulations at <http://nrc.uchsc.edu/STATES/states.htm>. More information about licensing is also available on the National Child Care Information Center's (NCCIC) Web site at <http://nccic.acf.hhs.gov/poptopics/index.html#licensing>.

The following is a sample of State and national research studies on the impact of increased licensing regulations on the quality, cost, and supply of child care. Also included is information about research on the impact of higher program standards from Quality Ratings Systems on quality in child care settings.

---

### **STATE RESEARCH**

#### **Florida**

■ *The Florida Child Care Quality Improvement Study: 1996 Report* (1998), published by the Families and Work Institute, investigates how Florida's new ratios and education requirements for early education and care affect children's development, parents' lives, and the early childhood marketplace. It consists of three interrelated studies: The Children Study, The Parent Study, and The Market Study. This report summarizes the findings of all three studies in 1992 and 1994 and reports new findings from The 1996 Children Study (page 1). The report's "Brief Summary of Findings" states the following:

Increased staff education and more rigorous ratio requirements did not have a marked negative impact on the child care marketplace nor did requirements significantly affect consumer costs during the 1992-1996 period.

- There was understandable concern that changing the ratios for infants and toddlers might lead centers to cut back on the number of infants and toddlers served. However, four years later this does not seem to be the case. Centers did not cut back on the number of children served, including the number of infants and toddlers.
- Between 1992 and 1996, 62 percent of centers had increased their fees. These increases were modest overall and not statistically significant for infants and toddlers where the ratio requirements were most stringent ...

- The Parent Study, our 1992-1994 study of a representative sample of parents with children five-years-old and under (including those who used and who didn't use child care) drawn from birth records from the same four counties also provides useful information about market impact. We found that while child care costs for parents using child care did rise over this two year period, these increases were not larger for parents using center-based arrangements than for those using home-based arrangements (family child care or relative care in the child's home or in the home of the provider). Thus, fee increases seem unrelated to the regulatory changes that occurred only in center-based arrangements. Furthermore, despite these fee increases, the perceived burden of paying for child care among parents was actually reduced slightly, for both center and home-based care. (page 3)

For additional information, contact the Families and Work Institute at 212-465-2044 or on the Web at <http://www.familiesandwork.org>.

## **Georgia**

■ *Child Care Licensing: Georgia Impact Study* (1994), published by Quality Assist, Inc., was funded by the Ford Foundation to examine the impact of the 1991 changes in child care licensing rules and regulations on the child care industry. The report states:

In conclusion, the Child Care Licensing: Georgia Impact Study found that regulatory changes toward more stringent staff-to-child ratios, limits on group size, and additional training requirements did not have a negative impact on the child care market place. Only a modest percentage of responding programs (12%) reported difficulty in meeting the regulatory changes. Revisions in the child care regulations did not result in a decreased number of child care programs or infant or toddler child care slots in Georgia. (page 27)

To order this publication, call Quality Assist, Inc. at 404-325-2225 or visit the Web at [www.qassist.com](http://www.qassist.com).

## **North Carolina—Star Rated License**

■ North Carolina's Star Rated License is based upon the child care facility's program standards, staff education levels, and compliance history with child care regulations. Information about North Carolina's child care rated license system is available on the Web at [http://ncchildcare.dhhs.state.nc.us/parents/pr\\_sn2\\_ov\\_sr.asp](http://ncchildcare.dhhs.state.nc.us/parents/pr_sn2_ov_sr.asp). For additional information, contact the North Carolina Department of Health and Human Services, Division of Child Development, at 919-662-4499.

■ The North Carolina Rated License Assessment Project (NCRLAP) is a collaborative project between the North Carolina Division of Child Development and other institutions of higher education across the State. NCRLAP's purpose is to conduct voluntary assessments for

child care centers and homes attempting to earn three or more stars within the North Carolina Star Rated License system. Additional information is available on the Web at [www.ncrlap.org](http://www.ncrlap.org), or contact NCRLAP, University of North Carolina at Greensboro (UNCG) at 336-256-0100.

■ *Summary of Lowest Scoring Items and Indicators for Each of the Environment Rating Scales* (October 2004), by Deborah Cassidy, Stephen Hestenes, Linda Hestenes, and Sharon Mims, University of North Carolina at Greensboro, provides a summary of the lowest scoring items and indicators for each of the Environment Rating Scales, as used for the assessment portion of the North Carolina Star Rated License. This resource is available on the Web at [http://web.uncg.edu/ncrlap/pdf/Lowest\\_Scoring\\_Items\\_10-25\\_04.pdf](http://web.uncg.edu/ncrlap/pdf/Lowest_Scoring_Items_10-25_04.pdf).

■ *Lessons Learned from the First Five Years of the NC Rated License Assessment Project*, (September 14, 2004), Deborah Cassidy and Stephen Hestenes, Presenters, Linda Hestenes and Sharon Mims, (Leadership Team Members), North Carolina Rated License Assessment Project, UNCG, presented at the 2004 Smart Start Gathering, is a Microsoft PowerPoint presentation that examines lessons learned from the first five years of the North Carolina Rated License Assessment Project. This resource is available on the Web at [http://web.uncg.edu/ncrlap/pdf/Lessons\\_FiveYears\\_9\\_04.pdf](http://web.uncg.edu/ncrlap/pdf/Lessons_FiveYears_9_04.pdf).

■ “What We Gain From Teacher Education in Terms of Child Care Quality: Lessons Learned From the North Carolina Rated License Assessment Project,” overheads presented at the National Association for the Education of Young Children (NAEYC) Annual Conference, Chicago, Illinois, November 2003, are available on the Web at [http://web.uncg.edu/ncrlap/pdf/WhatWeGainFromTeacherEd11\\_4\\_03.pdf](http://web.uncg.edu/ncrlap/pdf/WhatWeGainFromTeacherEd11_4_03.pdf).

■ *North Carolina Rated License: A Three-Year Summary of Assessed Facilities, An Executive Summary 1999-2002* (May 2003), written by Deborah Cassidy, Linda Hestenes, Sharon Mims, and Stephen Hestenes, North Carolina Rated License Assessment Project, states:

This document provides an overview of assessment scores based on information collected during the first three years of the Star Rated License implementation (September 1, 1999, to August 31, 2002). It is important to note that these findings primarily apply to the quality of care in programs applying for three, four, or five points in program standards. Therefore, these findings are **not** based on a representative sample of programs in North Carolina partly because the majority of child care facilities in North Carolina and nearly all current programs with one, two, or three stars have not had an assessment using the rating scale. (page 2)

The report states:

Assessment scores provide valuable insight into the areas of achievement and those areas in need of resources and continuing improvement in child care centers across the state. (page 5)

Ratings are discussed for preschool, infant, and school-age classrooms, as well as family child care homes. The report also states:

In addition to the rating scale data, information about teacher/provider education was collected to explore the relationship between education of the teacher/provider and the score received on the rating scale. Our findings provide compelling evidence of an increase in rating scale scores in child care centers with increasing levels of teacher education ... there was a clear connection between rating scale scores and the amount of education that a teacher had completed.  
(page 9)

This resource is available on the Web at

[http://web.uncg.edu/ncrlap/pdf/ExecutiveSummary\\_Final\\_5\\_15\\_03.pdf](http://web.uncg.edu/ncrlap/pdf/ExecutiveSummary_Final_5_15_03.pdf).

■ “Measurement of Quality in Preschool Child Care Classrooms,” by Deborah J. Cassidy, Linda L. Hestenes, Stephen Hestenes, and Sharon Mims, Department of Human Development and Family Studies, the University of North Carolina at Greensboro, a presentation at the Biennial Meeting of the Society for Research in Child Development (SRCD), April 2003, Tampa, Florida, examined the *Early Childhood Environment Rating Scale-Revised (ECERS-R)* with 1,313 preschool classrooms in child care programs across North Carolina to determine the factors present. Regulatable aspects of child care quality were examined to determine the relationship between the *ECERS-R* factors and teacher education, experience, group sizes, and teacher/child ratios. The report notes that this assessment was completed as part of the State’s Star Rated License process, and assessments were completed in programs striving for the higher star ratings—typically four of five stars.

This resource is available on the Web at

[http://web.uncg.edu/ncrlap/pdf/Measurement\\_of\\_Quality\\_in\\_Preschool\\_Child\\_Care\\_Classrooms\\_SRCD\\_5\\_2\\_03.pdf](http://web.uncg.edu/ncrlap/pdf/Measurement_of_Quality_in_Preschool_Child_Care_Classrooms_SRCD_5_2_03.pdf).

■ *A Quick Reference to the Rated License Assessment Process* is available on the Web at <http://web.uncg.edu/ncrlap/pdf/SampleBrochure8-8-02.pdf>.

■ *Validating North Carolina’s 5-Star Child Care Licensing System* (February 2001), by the Smart Start Evaluation Team, Frank Porter Graham Child Development Institute, University of North Carolina at Chapel Hill, reports:

Independently gathered data from 84 child care centers validates North Carolina’s new 5-star child care licensing system. Using data collected as part of the Smart Start evaluation, a significant relationship was found between the star rating level of a center and several other indicators of program quality. Parents and policymakers should be assured that centers with higher star ratings are indeed providing a higher quality of care for young children. (Abstract)

This report is available on the Web at

[http://www.fpg.unc.edu/smartstart/Reports/Validating\\_Licensing\\_System\\_Brochure.pdf](http://www.fpg.unc.edu/smartstart/Reports/Validating_Licensing_System_Brochure.pdf).

---

## NATIONAL RESEARCH

---

■ “Regulation of Child Care” (Winter 2002), by Sheri L. Azer, Sarah LeMoine, Gwen Morgan, Richard M. Clifford, and Gisele M. Crawford, National Center for Early Development & Learning (NCEDL), *Early Childhood Research & Policy Briefs* Vol. 2, No. 1, looks at the state of knowledge of regulation in the United States. The Brief summarizes the research about regulatable elements of quality, provides data on State regulations and requirements, and offers recommendations for improving child care regulation and licensing systems. This Brief is available on the Web at [www.fpg.unc.edu/~ncedl/PDFs/RegBrief.pdf](http://www.fpg.unc.edu/~ncedl/PDFs/RegBrief.pdf).

■ *Regulating Dimensions of Quality in Early Care and Education: A Review of the Research* (2002), by Judith A. Colbert, published by the National Association for Regulatory Administration, summarizes the research on elements of quality—including staff qualifications, ratios and group size, space and equipment, and curriculum—that States regulate in their child care licensing requirements. This resource is available on the Web at [www.nara.affiniscape.com/associations/4734/files/Regulating%20Quality%20Dimensions%2Edoc](http://www.nara.affiniscape.com/associations/4734/files/Regulating%20Quality%20Dimensions%2Edoc).

■ “Do Regulable Features of Child-Care Homes Affect Children’s Development?” (2002), by K. Alison Clarke-Stewart, Deborah Lowe Vandell, Margaret Burchinal, Marion O’Brien, and Kathleen McCartney in *Early Childhood Research Quarterly* Vol. 17, No. 1, pp. 52-86, used data from the National Institute for Child and Human Development (NICHD) Study of Early Child Care to assess whether regulable features of child care homes affected children’s development. The study found caregivers’ education and recency of training related to learning environment and caregiving sensitivity. More positive caregiving related to compliance with age-weighted group-size cut-offs. Caregiver education/training level related to child performance on tests of cognitive and language development. Additional information is available on the Web at [www.ingenta.com/journals/browse/els/08852006](http://www.ingenta.com/journals/browse/els/08852006).

■ *Child Care Quality: Does It Matter and Does It Need to be Improved?* (2000), by Deborah Lowe Vandell and Barbara Wolfe, Office of the Assistant Secretary for Planning and Evaluations, U.S. Department of Health and Human Services, evaluates the research on child care quality. It concludes that data indicate that child care quality does matter. Children appear happier and more cognitively engaged in settings in which caregivers are interacting with them in positive ways and in settings in which child to adult ratios are low. Children who attend higher quality child care settings (measured by caregiver behaviors, facility conditions, age-appropriate activities, and structural and caregiver characteristics) display better cognitive, language, and social competencies on standardized tests. The structural and caregiver characteristics analyzed in this paper are often included in child care licensing regulations—child:staff ratio, group size, and teacher education and training. This resource is available on the Web at <http://www.ssc.wisc.edu/irp/sr/sr78.pdf>.

■ “Regulating Child Care Quality,” by William Gormley, Jr., in *The Annals of the American Academy of Political and Social Science* (May 1999), (Vol. 573, pp. 116-129), states in the abstract:

Research shows that regulation promotes quality but that trade-offs exist. Quality improvements that undermine availability or affordability should be evaluated with care. Also, regulatory enforcement deserves as much attention as regulatory standard setting. (page 116)

This resource includes information about regulatory controversies, such as the child care regulation’s effect on supply. For additional information, contact William Gormley, Jr., Public Policy Institute, Georgetown University, at 202-687-6817 or e-mail [gormleyw@gunet.georgetown.edu](mailto:gormleyw@gunet.georgetown.edu).

■ The *Cost, Quality and Child Outcomes in Child Care Centers* (1995) study, by Suzanne Helburn, Mary L Culkin, John Morris, Naci Mocan, Carollee Howes, Leslie Phillipsen, Donna Bryant, Richard Clifford, Debby Cryer, Ellen Peisner-Feinberg, Margaret Burchinal, Sharon Lynn Kagan, Jean Rustici, provides a comprehensive study of center child care in four States: Los Angeles County, California; the Front Range in Colorado; the New Haven/Hartford corridor in Connecticut; and the Piedmont Triad in North Carolina ... In the research design, [they] deliberately designed an intensive, on-site study of centers in four fairly representative states with varying licensing standards and demographic and economic characteristics. Taken together, [their] results give a national overview. Individually, the results for a given state are representative of other states with similar characteristics. (page 1) The findings include:

States with more demanding licensing standards have fewer poor-quality centers. Centers that comply with additional standards beyond those required for licensing provide higher quality service. However, higher standards may reduce availability of center care or increase cost. (page 38)

The impact of licensing standards on overall quality of services was studied in two ways. First, the four States – where standards vary considerably – were compared. Second, centers which were required to meet, or were voluntarily meeting, standards more stringent than conventional licensing requirements were compared to all other centers. (page 38)

... child care quality was significantly higher on almost all measures of quality in the states with the higher licensing standards and significantly poorer in the state with the most lax child care standards. (page 38)

Stringency of regulation may affect the availability of infant and toddler care in a state. In North Carolina, which allows lower adult-to-child ratios, more centers had infant/toddler classrooms. There were 76 infant/toddler rooms in North Carolina but only 27 in California. This might suggest that higher standards

discourage centers from supplying these services. However, there are other possible explanations such as state differences in the proportion of women with infants who work outside the home and in the use of alternative forms of child care. This seems possible since both Connecticut and Colorado had similar proportions of infant/toddler classrooms yet somewhat different child care standards. (page 39)

Stringency of standards also seems to affect the cost of providing care. Child care was the least expensive in North Carolina, the state with the lowest standards. Expended child care costs averaged \$2.11 for the whole sample, but in North Carolina they were significantly lower at \$1.50. The differential persisted even when costs were adjusted for regional cost-of-living differences. (page 39)

Voluntary conformity to higher standards through professional center accreditation also increased the likelihood of higher classroom quality ... compared to centers not in the high-quality groups, the accredited centers had higher total cost and total revenue per child hour, higher teacher wages, and employed a higher percent of teachers with at least a college degree. (page 40)

Good-quality services cost more, but not a lot more. Our results indicate that there is a positive but moderate relation between cost and quality of center child care. Estimated differences in costs between poor-, mediocre-, and high-quality centers tended to be small when the relation between costs and quality were examined in two ways. (pp. 46-47)

First, the total expended cost (excluding donations) to provide one child hour at poor-quality centers, at mediocre-quality centers, and at developmentally appropriate centers were compared for the entire sample in an analysis of variance including state, quality, and state quality interactions as the predictors. The mean difference between mediocre-quality (averaging 4.0) and developmentally appropriate centers (averaging 5.5) was \$.25 per child hour for the entire sample or \$.37 per child hour in California, \$.15 in Colorado, \$.30 in Connecticut, and \$.16 in North Carolina. The differences in expended cost per child hour between poor-quality centers (averaging 2.6) and mediocre-quality centers were even smaller - less than half as much as between mediocre and good quality. (pp. 47-48)

It costs more to provide better quality care. However, given the availability of staff who will work for the low wages offered by ECE centers, the cost of providing care at higher quality centers was only about 10% higher, on average, than the cost at centers providing average quality. Our cost and quality results indicate that there are qualities, not easily measured and not captured in our analysis, that contribute to quality in the good centers, such as, for instance, commitment to quality by the director and staff, and special traits of staff which promote good-quality services. Apparently, these intangibles and complex interactions among variables account for the ability of some centers to provide higher quality without incurring substantially higher costs. (page 71)

The standards to which a center adheres also affect quality of services. Weak licensing standards permit some centers to provide lower quality services. Accredited centers have higher quality. Centers that conform to higher standards in order to receive public funding have higher quality. (pp. 71-72)

To order this publication, contact the University of Colorado at Denver, Economics Department, at 303-556-4934.

## ADDITIONAL RESOURCES

■ To improve the quality of child care programs beyond basic licensing requirements, States are developing Quality Rating Systems (QRS) as a method to assess, improve, and communicate the level of quality in early care and education settings. State licensing requirements establish the foundation for operating child care programs in centers and homes in a particular State. These regulations specify the minimum standards that must be met to operate legally and are the first step in a QRS, which also will have several steps above licensing, leading to the top step that represents the highest quality. *Quality Rating Systems and the Impact on Quality in Early Care and Education Settings* includes a sample of research from States with a QRS about the impact of the higher QRS program standards on quality in early care and education settings. This resource is available on NCCIC's Web site at <http://nccic.org/poptopics/qrs-impactqualitycc.html>. Additional information about QRS is available on NCCIC's Web site at <http://nccic.org/poptopics/index.html#qrs>.

The National Child Care Information Center, a service of the Child Care Bureau, does not endorse any organization, publication, or resource. For more information, please contact NCCIC: 10530 Rosehaven Street, Suite 400, Fairfax, Virginia 22030; Ph: 800-616-2242; Fax: 800-716-2242; TTY: 800-516-2242; Email: [info@nccic.org](mailto:info@nccic.org); Web site: <http://nccic.acf.hhs.gov>.